

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

TOWNSHIP OF GROVELAND

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2005

## **TOWNSHIP OF GROVELAND**

### **TOWNSHIP OFFICIALS**

Supervisor - Robert DePalma  
Treasurer - Shirley Scramlin  
Clerk - Pamela Mazich

### **TOWNSHIP BOARD**

David Ax  
Robert DePalma  
Diane Howell  
Pamela Mazich  
Shirley Scramlin

### **TOWNSHIP ATTORNEY**

Williams, Williams, Ruby & Plunkett, P.C.

### **TOWNSHIP AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	15
Statement of Activities	16
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	18
Reconciliation of Statement of Net Assets of Governmental Funds to the Balance Sheet	19
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Assets and Liabilities - Fiduciary Funds	22
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	36
Fire Protection Fund	37
<u>SUPPLEMENTARY INFORMATION</u>	
<u>COMBINING STATEMENTS</u>	
All Special Revenue Funds - Combining Balance Sheet	40
All Trust and Agency Funds - Combining Balance Sheet	41
All Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42

## TABLE OF CONTENTS

### PAGE NUMBER

#### INDIVIDUAL FUNDS

##### GENERAL FUND

Balance Sheet	45
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	46
Statement of Revenues - Budget and Actual	47
Statement of Expenditures - Budget and Actual	48

##### BUILDING DEPARTMENT FUND

Balance Sheet	52
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	53

##### FIRE PROTECTION FUND

Balance Sheet	55
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	56
Statement of Expenditures - Budget and Actual	57

##### FIRE IMPROVEMENT FUND

Balance Sheet	59
Statement of Revenues, Expenditures and Changes in Fund Balance	60

##### GAS LINE DEBT SERVICE FUND

Balance Sheet	62
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	63

##### CURRENT TAX COLLECTION FUND

Balance Sheet	65
---------------	----

##### TRUST AND AGENCY FUND

Balance Sheet	67
---------------	----



**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

June 17, 2005

Board of Trustees  
Township of Groveland  
4695 Grange Hall Road  
Holly, Michigan 48442

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Groveland as of and for the year ended March 31, 2005, which collectively comprise the Township of Groveland's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Groveland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Groveland as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

The Management's Discussion and Analysis and other required supplementary information on pages 7 through 12 and 36 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Groveland's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

**PFEFFER, HANNIFORD & PALKA**  
**Certified Public Accountants**

MANAGEMENT DISCUSSION  
AND  
ANALYSIS

## Management Discussion and Analysis March 31, 2005

---

Within this section of the Township of Groveland's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).



## ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

## ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

## ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

## **Financial Analysis of the Township as a Whole**

The Township has implemented the new financial reporting model used in this report beginning with the current fiscal year ended March 31, 2005. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$5,182,666. This is a \$634,475 increase over last year's net assets of \$4,548,191.

The following tables provide a summary of the Township's financial activities and changes in net assets:

### Summary of Net Assets

	Governmental Activities
Current and other assets	\$ 4,224,051
Capital assets	1,704,851
Total assets	<u>5,928,902</u>
Accounts payable and other accrued liabilities	53,036
Bonds payable	693,200
Total liabilities	<u>746,236</u>
Net assets:	
Invested in capital assets, net of related debt	1,704,851
Restricted for debt service	254,318
Unrestricted	3,223,497
Total net assets	<u>\$ 5,182,666</u>

### Summary of Changes in Net Assets

	Governmental Activities
Revenues:	
Program revenues	
Charges for services	\$ 399,969
Operating grants and contributions	111,490
General revenues	
State shared revenues	418,145
Property taxes	1,010,978
Interest income	116,913
Reclamation revenues	263,103
Other income	62,356
<b>Total revenues</b>	<b>2,382,954</b>
Expenses	
General government	649,843
Fire protection	954,923
Community development	32,750
Public works	57,440
Parks and recreation	15,947
Interest on long-term debt	37,576
<b>Total expenses</b>	<b>1,748,479</b>
Changes in net assets	634,475
Beginning net assets	4,548,191
Ending net assets	<b>\$ 5,182,666</b>

The overall financial status for the Township is strong with the Township adding to its net assets once again.

#### Financial Analysis of the Township's Funds

The Township of Groveland reported three major funds for the year ended March 31, 2005. These funds included:

- General Fund
- Fire Protection Fund
- Gas Debt Service Fund

The General Fund increased its fund balance by \$457,850 during the year primarily due to a substantial increase (\$119,851) of reclamation revenues collected by the Township. Typically, the General Fund has added amounts to its fund balance annually.

The Fire Protection Fund increased its fund balance by \$128,043 for the fiscal year ended March 31, 2005. However, no transfers were made during the year to the Fire Improvement Fund to provide for future capital improvements/purchases.

The Gas Debt Service Fund decreased its fund balance by \$313,893 for the fiscal year. This is largely due to extra amounts used to pay down the debt of the outstanding gas bonds. The Township paid \$501,645 of principal on the debt when only \$74,000 was required to fund current bond requirements.

#### General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made several immaterial amendments during the year to bring it closer to economic reality. Appropriations exceeded actual expenditures by \$327,038 primarily due to excessive amounts budgeted in the unallocated cost center (\$296,185).

#### Capital Asset and Debt Administration

The Township purchased \$82,188 of new capital assets during the year ended March 31, 2005. These purchases include \$31,000 for new fire hydrants, \$33,957 for a fire department truck, and \$17,231 for various office equipment.

The Township extinguished \$501,645 of the \$1,128,233 that was outstanding from the previous year for the gas distributions system bonds. The Township was able to call several of the bonds issued to reduce the debt remaining primarily using connection fee and early payoff funds. By calling these bonds, the Township can avoid a potential shortfall due to a higher interest rate on the extinguished debt compared to current interest received on cash equivalents.

#### Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. The reclamation revenues the Township is receiving is substantially dependent on the tonnage extracted making revenue amounts very difficult to estimate, especially with the project being near completion.

In order to provide for future capital purchases and projects the Township board has reserved \$1,143,906 of its General Fund's fund balance. This includes:

General reserve	\$ 743,906
Fire department building	250,000
Road projects	<u>150,000</u>
Total reserve	<u>\$ 1,143,906</u>

#### Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Township of Groveland at 4695 Grange Hall Road, Holly, Michigan 48442.

BASIC  
FINANCIAL  
STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL  
STATEMENTS

TOWNSHIP OF GROVELAND  
STATEMENT OF NET ASSETS  
MARCH 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,427,246
Receivables	
Taxes	122,192
Special assessments	591,309
State shared revenues	63,832
Accounts	11,344
Intergovernmental	8,128
Capital assets	
Land	150,000
Buildings and improvements	1,588,000
Equipment	180,031
Vehicles	811,157
Less accumulated depreciation	<u>(1,024,337)</u>
Total assets	<u>5,928,902</u>
<b>LIABILITIES</b>	
Accounts payable	28,947
Accrued interest payable	24,089
Bonds payable	<u>693,200</u>
Total liabilities	<u>746,236</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	1,704,851
Restricted for:	
Debt service	254,318
Unrestricted	<u>3,223,497</u>
Total net assets	<u><u>\$ 5,182,666</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GROVELAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (649,843)	\$ 163,833	\$	\$ (486,010)
Fire protection	(954,923)	236,136	31,000	(687,787)
Community development	(32,750)		22,890	(9,860)
Parks and recreation	(15,947)			(15,947)
Public works	(57,440)			(57,440)
Interest on long-term debt	(37,576)		57,600	20,024
Total governmental activities	<u>\$ (1,748,479)</u>	<u>\$ 399,969</u>	<u>\$ 111,490</u>	<u>(1,237,020)</u>
General Revenues:				
Property taxes				1,010,978
State shared revenues				418,145
Unrestricted investment earnings				116,913
Rental income				54,661
Reclamation revenues				263,103
Other income				<u>7,695</u>
Total general revenues				<u>1,871,495</u>
Change in net assets				634,475
Net assets, April 1, 2004				<u>4,548,191</u>
Net assets, March 31, 2005				<u>\$ 5,182,666</u>

The accompanying notes are an integral part of these financial statements.

FUND  
FINANCIAL  
STATEMENTS

TOWNSHIP OF GROVELAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2005

	General	Fire Protection	Gas Debt Service	Other Non-major Funds	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,262,395	\$ 788,917	\$ 337,951	\$ 37,983	\$ 3,427,246
Receivables					
Special assessments			591,309		591,309
Taxes	25,711	89,259	7,222		122,192
State shared revenues	63,832				63,832
Accounts	11,344				11,344
Due from other funds	15,328				15,328
Total assets	<u>\$ 2,378,610</u>	<u>\$ 878,176</u>	<u>\$ 936,482</u>	<u>\$ 37,983</u>	<u>\$ 4,231,251</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts payable	\$ 16,332	\$ 11,971	\$	\$ 644	\$ 28,947
Matured bonds payable			90,701		90,701
Due to other funds		2,054	154	4,992	7,200
Deferred revenues			591,309		591,309
Total liabilities	<u>16,332</u>	<u>14,025</u>	<u>682,164</u>	<u>5,636</u>	<u>718,157</u>
Fund Balance					
Unreserved	2,362,278	864,151		23,583	3,250,012
Designated for capital replacement				8,764	8,764
Reserved for debt service			254,318		254,318
Total fund balance	<u>2,362,278</u>	<u>864,151</u>	<u>254,318</u>	<u>32,347</u>	<u>3,513,094</u>
Total liabilities and fund balance	<u>\$ 2,378,610</u>	<u>\$ 878,176</u>	<u>\$ 936,482</u>	<u>\$ 37,983</u>	<u>\$ 4,231,251</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GROVELAND  
RECONCILIATION OF STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
MARCH 31, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 3,513,094
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Historical cost	\$2,729,188	
Depreciation	<u>(1,024,337)</u>	
Capital assets net of depreciation		1,704,851
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable (long-term portion)		(626,588)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		<u>591,309</u>
Net assets of governmental activities		<u>\$ 5,182,666</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GROVELAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2005

	General	Fire Protection	Gas Debt Service	Other Non-Major Funds	Total
REVENUES					
Taxes	\$ 233,837	\$ 777,141	\$	\$	\$ 1,010,978
Special assessments			157,042		157,042
Connection fees			57,600		57,600
Licenses and permits	305,360			83,347	388,707
Grant – community development	22,890				22,890
State shared revenues	418,145				418,145
Donations	31,000				31,000
Rental income	46,211	8,450			54,661
Charges for services	38,229	236,136			274,365
Interest	44,212	5,635	10,686		60,533
Miscellaneous	1,709	5,986			7,695
Total revenues	<u>1,141,593</u>	<u>1,033,348</u>	<u>225,328</u>	<u>83,347</u>	<u>2,483,616</u>
EXPENDITURES					
General government	577,606			79,908	657,514
Fire protection		905,305		35,351	940,656
Library	6,500				6,500
Parks and recreation	15,947				15,947
Community development	26,250				26,250
Public works	57,440				57,440
Debt service					
Principal			501,645		501,645
Interest and fees			37,576		37,576
Total expenditures	<u>683,743</u>	<u>905,305</u>	<u>539,221</u>	<u>115,259</u>	<u>2,243,528</u>
Excess of revenues over (under) expenditures	457,850	128,043	(313,893)	(31,912)	240,088
FUND BALANCE, APRIL 1, 2004	<u>1,904,428</u>	<u>736,108</u>	<u>568,211</u>	<u>64,259</u>	<u>3,273,006</u>
FUND BALANCE, MARCH 31, 2005	<u>\$ 2,362,278</u>	<u>\$ 864,151</u>	<u>\$ 254,318</u>	<u>\$ 32,347</u>	<u>\$ 3,513,094</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GROVELAND  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 240,088
--	------------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 82,188	
Depreciation expense	<u>(88,784)</u>	
Net capital assets		(6,596)

Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repayment of: Bonds payable	501,645
--------------------------------	---------

Principal received on special assessments are income as they are levied annually for governmental funds, but they are recognized as income in total when they are originally levied in the initial first year for the Statement of Activities.

Principal collected on assessments	<u>(100,662)</u>
------------------------------------	------------------

Change in net assets of governmental activities	<u>\$ 634,475</u>
---	-------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GROVELAND  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
MARCH 31, 2005

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSET			
Cash and cash equivalents	\$ 6,316	\$ 12,925	\$ 19,241
Due from other units	<u>1,994</u>	<u></u>	<u>1,994</u>
Total assets	<u>\$ 8,310</u>	<u>\$ 12,925</u>	<u>\$ 21,235</u>
LIABILITIES			
Due to other funds	\$ 7,571	\$ 202	\$ 7,773
Due to others	<u>739</u>	<u>12,723</u>	<u>13,462</u>
Total liabilities	<u>\$ 8,310</u>	<u>\$ 12,925</u>	<u>\$ 21,235</u>

The accompanying notes are an integral part of these financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS



TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Groveland conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection Fund accounts for the activities related to the operations of the Township fire department. This activity is funded primarily through the collection of property taxes and cost recovery fees.

The Gas Debt Service Fund accounts for the special assessments levied and related debt associated with the Township's participation of installing a natural gas distribution system.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township approves budgets for the general and special revenue funds. Amendments made during the fiscal year are reflected in the budget column of the appropriate financial statement. The budgets are prepared on a modified accrual basis

For year ended March 31, 2005, expenditures exceeded appropriations in several functional activities.

A budget was not adopted for the Fire Improvement Fund. This is a violation of Public Act 493 of 2000.

D. PROPERTY TAXES

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state. Real and personal property in the Township for the 2004 levy was assessed at an adjusted taxable value of \$221,818,192. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection.

The Township levies the following millage:

General Township	1.0
Fire	<u>3.5</u>
Total millage	<u>4.5</u>

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 2 - DESCRIPTION OF REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of the Township of Groveland as the primary government have been included in the financial statements.

The following potential component unit has been evaluated under the criteria established by GASB statement number 39 and determined not to be a component unit based on financial independence and accountability.

Brandon - Groveland - Ortonville Recreation Authority - The Township of Groveland is involved and monetarily supports this authority. The recreation authority is fiscally independent from the Township. The authority is a component unit of the Charter Township of Brandon.

**NOTE 3 - INTERFUND BALANCES**

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General fund	\$ 2,054	Fire fund	\$ 2,054
General fund	154	Gas line debt service fund	154
General fund	4,992	Building department fund	4,992
General fund	7,926	Current tax collection fund	7,926
General fund	<u>202</u>	Trust and agency fund	<u>202</u>
	<u>\$ 15,328</u>		<u>\$ 15,328</u>

**NOTE 4 - EMPLOYEE RETIREMENT PLAN**

The Township participates in the Manulife Defined Contribution Pension Plan Group No. 89571 for Michigan Township employees. This is a single-employer plan. Substantially all full-time employees are included in the plan. Six months of service is required to determine eligibility. The Township contributes 11% of participant's compensation, while an employee may contribute 1% to 25% of compensation after tax. Annual compensation used to determine the current year contribution is as of April 1, preceding the year. Contribution information is as follows:

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS	<u>\$ 41,735</u>
TOTAL CURRENT YEAR EMPLOYEE CONTRIBUTIONS	<u>\$ 708</u>

These balances reflect contributions for the period from April 1, 2004 to March 31, 2005.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

<u>COST</u>	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
Land	\$ 150,000	\$	\$	\$ 150,000
Buildings - general government	376,000			376,000
Buildings - fire	1,212,000			1,212,000
Equipment - general government	39,000	17,231		56,231
Equipment - fire	92,800	31,000		123,800
Vehicles - fire	777,200	33,957		811,157
	<u>2,647,000</u>	<u>82,188</u>	<u></u>	<u>2,729,188</u>
Total cost	<u>2,647,000</u>	<u>82,188</u>	<u></u>	<u>2,729,188</u>
 <b><u>ACCUMULATED DEPRECIATION</u></b>				
Land				
Buildings - general government	66,427	7,520		73,947
Buildings - fire	375,817	25,240		401,057
Equipment - general government	34,067	2,040		36,107
Equipment - fire	52,404	2,648		55,052
Vehicles - fire	406,838	51,336		458,174
	<u>935,553</u>	<u>88,784</u>	<u></u>	<u>1,024,337</u>
Total accumulated depreciation	<u>935,553</u>	<u>88,784</u>	<u></u>	<u>1,024,337</u>
Net book value	<u>\$ 1,711,447</u>	<u>\$ (6,596)</u>	<u>\$</u>	<u>\$ 1,704,851</u>

As of March 31, 2005 there was no debt related to any capital assets.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of Township special assessment debt for the year ended March 31, 2005:

	<u>Balance 4/1/04</u>	<u>Principal Payments</u>	<u>Balance 3/31/05</u>
Bonds payable used to finance construction of gas distribution system interest charged at 6.15% to 7.4%.	<u>\$ 1,128,233</u>	<u>\$ 501,645</u>	<u>\$ 626,588</u>

The following is a schedule of principal and interest payments to service the long-term obligation of the Township:

<u>Year</u>	<u>Principle</u>
3/31/2006	\$ 79,300
3/31/2007	85,100
3/31/2008	91,200
3/31/2009	97,900
3/31/2010	105,200
3/31/2011 – 3/31/2012	<u>234,500</u>
Total payments	693,200
Less: current portion recorded in debt service fund	<u>(66,612)</u>
Total long-term debt	<u>\$ 626,588</u>

The bonds payable above is not related to any capital assets. The bonds were used to finance construction of a gas line distribution system which is maintained by the gas company.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 7 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	<u>3,146,485</u>	<u>3,201,993</u>
Total deposits	<u>\$ 3,446,485</u>	<u>\$ 3,501,993</u>

**NOTE 8 – RECLAMATION REVENUES**

Effective June 2002 the Township had entered into an agreement with a construction company for the mining and reclamation of lands in the Township. The Township is to receive funds based upon materials removed from these lands. The Township is to receive these funds until the contract expires in June 2012. Total reclamation revenues for the year ended March 31, 2005 was \$263,103.



TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 9 - FEDERAL GRANT ACTIVITIES

The Township participates in a Community Development Block Grant (CDBG) consortium passed through Oakland County. The CDBG fiscal period is from May 1 to April 30. The County performs a full compliance audit on the Township's program performance. The most recent audit has been completed for the period dated May 1, 2003 to April 30, 2004.

NOTE 10 – CONTINGENT LIABILITIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 11 – IMPLEMENTATION OF GASB STATEMENT NO. 34

The Township has implemented the standards required by GASB Statement No. 34 for the year ended March 31, 2005. All required statements and disclosures have been included in the basic financial statements.

NOTE 12 – POST EMPLOYMENT BENEFITS

The Township adopted a post employment benefits policy several years ago. The Township pays health insurance premiums (single coverage) for retirees of the Township who have worked a minimum of 20 years and until the age 55. Currently there is one retired employee receiving the benefit. The cost to the Township for the year ending March 31, 2005 was \$5,733. Under this policy there are five additional potential employees that could receive this benefit over the next four to five years. An estimate or actuarial of current and future costs related to this policy has not been done.

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

NOTE 13 – RECONCILIATION OF FUND FINANCIAL STATEMENTS  
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet		\$ 3,513,094
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Historical cost	\$2,729,188	
Depreciation	<u>(1,024,337)</u>	
Capital assets net of depreciation		1,704,851
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable (long-term portion)		(626,588)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		<u>591,309</u>
Net assets of governmental activities		<u>\$ 5,182,666</u>

TOWNSHIP OF GROVELAND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 13 – RECONCILIATION OF FUND FINANCIAL STATEMENTS  
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 240,088
--	------------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 82,188	
Depreciation expense	<u>(88,784)</u>	
Net capital assets		(6,596)

Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repayment of: Bonds payable	501,645
--------------------------------	---------

Principal received on special assessments are income as they are levied annually for governmental funds, but they are recognized as income in total when they are originally levied in the initial first year for the Statement of Activities.

Principal collected on assessments	<u>(100,662)</u>
------------------------------------	------------------

Change in net assets of governmental activities	<u>\$ 634,475</u>
---	-------------------

**NOTE 14 – FUND BALANCE RESERVATION**

To provide for future capital purchases and projects the Township Board has reserved \$1,143,906 of its General Fund's fund balance. This includes:

General reserve	\$ 743,906	
Fire department building	250,000	
Road projects	<u>150,000</u>	
Total reserve	<u>\$ 1,143,906</u>	

REQUIRED  
SUPPLEMENTARY  
INFORMATION

TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 233,837	\$
State shared revenues			418,145	
Licenses and permits			305,360	
Charges for services			84,440	
Community development			22,890	
Other revenues			76,921	
Total revenues	<u>1,010,781</u>	<u>1,010,781</u>	<u>1,141,593</u>	<u>130,812</u>
EXPENDITURES				
Township board			6,239	
Supervisor			53,427	
Elections			12,763	
Clerk			74,323	
Equalization			34,127	
Board of review			1,369	
Treasurer			56,596	
Cemetery			980	
Unallocated			323,242	
Recreation commission			15,000	
Library			6,500	
Community development			26,250	
Planning commission			10,940	
Zoning board of appeals			3,600	
Street lighting			3,805	
Roads			53,635	
Parks and recreation			947	
Total expenditures	<u>1,010,781</u>	<u>1,010,781</u>	<u>683,743</u>	<u>327,038</u>
Excess of revenues over (under) expenditures			457,850	457,850
FUND BALANCE, APRIL 1, 2004	<u>1,904,428</u>	<u>1,904,428</u>	<u>1,904,428</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 1,904,428</u>	<u>\$ 1,904,428</u>	<u>\$ 2,362,278</u>	<u>\$ 457,850</u>

GROVELAND TOWNSHIP  
FIRE PROTECTION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$	\$	\$ 777,141	\$
Ambulance billing			190,142	
Fire runs			25,057	
Rental income			8,450	
Camp reimbursements			20,937	
Interest income			5,635	
State grant			1,268	
Miscellaneous			4,718	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	966,950	966,950	1,033,348	66,398
EXPENDITURES	<u>966,950</u>	<u>966,950</u>	<u>905,305</u>	<u>61,645</u>
Excess of revenues over (under) expenditures			128,043	128,043
FUND BALANCE, APRIL 1, 2004	<u>736,108</u>	<u>736,108</u>	<u>736,108</u>	<u>          </u>
FUND BALANCE, MARCH 31, 2005	<u>\$ 736,108</u>	<u>\$ 736,108</u>	<u>\$ 864,151</u>	<u>\$ 128,043</u>

SUPPLEMENTARY  
INFORMATION

COMBINING  
STATEMENTS



TOWNSHIP OF GROVELAND  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2005

	<u>Building Department Fund</u>	<u>Fire Protection Fund</u>	<u>Fire Improvement Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
ASSET				
Cash and cash equivalents	\$ 29,219	\$ 788,917	\$ 8,764	\$ 826,900
Taxes receivable	<u>                    </u>	<u>89,259</u>	<u>                    </u>	<u>89,259</u>
Total assets	<u>\$ 29,219</u>	<u>\$ 878,176</u>	<u>\$ 8,764</u>	<u>\$ 916,159</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 644	\$ 11,971	\$	\$ 12,615
Due to other funds	<u>4,992</u>	<u>2,054</u>	<u>                    </u>	<u>7,046</u>
Total liabilities	5,636	14,025		19,661
FUND BALANCE	<u>23,583</u>	<u>864,151</u>	<u>8,764</u>	<u>896,498</u>
Total liabilities and fund balance	<u>\$ 29,219</u>	<u>\$ 878,176</u>	<u>\$ 8,764</u>	<u>\$ 916,159</u>

TOWNSHIP OF GROVELAND  
ALL TRUST AND AGENCY FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2005

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
<b>ASSET</b>			
Cash and cash equivalents	\$ 6,316	\$ 12,925	\$ 19,241
Due from other units	<u>1,994</u>	<u>          </u>	<u>1,994</u>
Total assets	<u><u>\$ 8,310</u></u>	<u><u>\$ 12,925</u></u>	<u><u>\$ 21,235</u></u>
<b>LIABILITIES</b>			
Due to other funds	\$ 7,571	\$ 202	\$ 7,773
Due to others	<u>739</u>	<u>12,723</u>	<u>13,462</u>
Total liabilities	<u><u>\$ 8,310</u></u>	<u><u>\$ 12,925</u></u>	<u><u>\$ 21,235</u></u>

TOWNSHIP OF GROVELAND  
ALL SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2005

	Building Department Fund	Fire Protection Fund	Fire Improvement Fund	Totals
REVENUES				
Property taxes	\$	\$ 777,141	\$	\$ 777,141
Licenses and permits	83,347			83,347
Charges for service		236,136		236,136
Rental income		8,450		8,450
Interest income		5,635		5,635
Miscellaneous		5,986		5,986
	<u>83,347</u>	<u>1,033,348</u>	<u></u>	<u>1,116,695</u>
Total revenues				
EXPENDITURES				
Fire protection		905,305	35,351	940,656
Building department	79,908			79,908
	<u>79,908</u>	<u>905,305</u>	<u>35,351</u>	<u>1,020,564</u>
Total expenditures				
Excess of revenues over (under) expenditures	3,439	128,043	(35,351)	96,131
FUND BALANCE, APRIL 1, 2004	<u>20,144</u>	<u>736,108</u>	<u>44,115</u>	<u>800,367</u>
FUND BALANCE, MARCH 31, 2005	<u>\$ 23,583</u>	<u>\$ 864,151</u>	<u>\$ 8,764</u>	<u>\$ 896,498</u>

INDIVIDUAL  
FUNDS

GENERAL  
FUND

TOWNSHIP OF GROVELAND  
GENERAL FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents	\$ 2,262,395	
Accounts receivable - other	11,344	
Taxes receivable	25,711	
State shared revenues receivable	63,832	
Due from other funds	<u>15,328</u>	
Total assets		<u>\$ 2,378,610</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 16,332
------------------	--	-----------

FUND BALANCE

Reserved	\$ 1,143,906	
Unreserved	<u>1,218,372</u>	

Total fund balance		<u>2,362,278</u>
--------------------	--	------------------

Total liabilities and fund balance		<u>\$ 2,378,610</u>
------------------------------------	--	---------------------

TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 211,736	\$ 233,837	\$ 22,101
State shared revenues	433,583	418,145	(15,438)
Licenses and permits	267,000	305,360	38,360
Charges for services	63,560	84,440	20,880
Community development	19,402	22,890	3,488
Other revenues	<u>15,500</u>	<u>76,921</u>	<u>61,421</u>
Total revenues	<u>1,010,781</u>	<u>1,141,593</u>	<u>130,812</u>
EXPENDITURES			
Township board	7,500	6,239	1,261
Supervisor	53,284	53,427	(143)
Elections	13,000	12,763	237
Clerk	74,079	74,323	(244)
Equalization	38,000	34,127	3,873
Board of review	2,000	1,369	631
Treasurer	58,689	56,596	2,093
Cemetery	1,200	980	220
Unallocated	619,427	323,242	296,185
Recreation commission	15,000	15,000	
Library	13,100	6,500	6,600
Community development	19,402	26,250	(6,848)
Planning commission	15,100	10,940	4,160
Zoning board of appeals	6,000	3,600	2,400
Street lighting	3,200	3,805	(605)
Roads	70,000	53,635	16,365
Parks and recreation	<u>1,800</u>	<u>947</u>	<u>853</u>
Total expenditures	<u>1,010,781</u>	<u>683,743</u>	<u>327,038</u>
Excess of revenues over (under) expenditures		457,850	457,850
FUND BALANCE, APRIL 1, 2004	<u>1,904,428</u>	<u>1,904,428</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 1,904,428</u>	<u>\$ 2,362,278</u>	<u>\$ 457,850</u>

TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 211,736	\$ 233,837	\$ 22,101
STATE SHARED REVENUES	<u>433,583</u>	<u>418,145</u>	<u>(15,438)</u>
LICENSES AND PERMITS			
Licenses and registrations		100	
Mobile home fees		2,518	
Cablevision franchise and Metro Act		39,639	
Reclamation revenues		<u>263,103</u>	
Total licenses and permits	<u>267,000</u>	<u>305,360</u>	<u>38,360</u>
CHARGES FOR SERVICES			
Tax collection fees		13,845	
Planning commission		14,979	
Board of appeals		3,500	
Camp reimbursements		5,905	
Tower lease		<u>46,211</u>	
Total charges for services	<u>63,560</u>	<u>84,440</u>	<u>20,880</u>
COMMUNITY DEVELOPMENT	<u>19,402</u>	<u>22,890</u>	<u>3,488</u>
OTHER REVENUES			
Interest		44,212	
Contributions - hydrants		31,000	
Miscellaneous		<u>1,709</u>	
Total other revenues	<u>15,500</u>	<u>76,921</u>	<u>61,421</u>
Total revenues	<u>\$ 1,010,781</u>	<u>\$ 1,141,593</u>	<u>\$ 130,812</u>



TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD	\$ 7,500	\$ 6,239	\$ 1,261
 SUPERVISOR			
Salary		51,984	
Dues and subscriptions		185	
Professional development		1,258	
	<u>53,284</u>	<u>53,427</u>	<u>(143)</u>
Total supervisor			
ELECTIONS			
Supplies and salaries	<u>13,000</u>	<u>12,763</u>	<u>237</u>
 CLERK			
Salary		48,589	
Deputy clerk salary		24,190	
Professional development		1,033	
Membership dues		511	
	<u>74,079</u>	<u>74,323</u>	<u>(244)</u>
Total clerk			
EQUALIZATION	<u>38,000</u>	<u>34,127</u>	<u>3,873</u>
 BOARD OF REVIEW			
Salaries	<u>2,000</u>	<u>1,369</u>	<u>631</u>
 TREASURER			
Salary		48,589	
Deputy treasurer salary		7,684	
Professional development		200	
Membership dues		123	
	<u>58,689</u>	<u>56,596</u>	<u>2,093</u>
Total treasurer			
CEMETERY	<u>1,200</u>	<u>980</u>	<u>220</u>

TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - (continued)  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNALLOCATED			
Salaries	\$	\$ 50,429	\$
Payroll taxes		21,538	
Employee benefits		43,074	
Supplies		16,790	
Audit fees		6,865	
Payroll services		349	
Planning consultant		7,104	
Engineering services		113	
Attorney fees		13,428	
Dues and subscriptions		5,761	
Telephone		5,879	
Cable franchise		3,848	
Legal notices		5,501	
Insurance and bonds		12,989	
Utilities		5,631	
Repairs and maintenance		32,431	
On-line with county		3,262	
Capital outlay - equipment		78,759	
Miscellaneous		1,491	
Youth assistance		8,000	
	<u>619,427</u>	<u>323,242</u>	<u>296,185</u>
Total unallocated			
RECREATION COMMISSION	<u>15,000</u>	<u>15,000</u>	<u></u>
LIBRARY	<u>13,100</u>	<u>6,500</u>	<u>6,600</u>
COMMUNITY DEVELOPMENT	<u>19,402</u>	<u>26,250</u>	<u>(6,848)</u>

TOWNSHIP OF GROVELAND  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - (continued)  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries	\$ 15,100	\$ 10,940	\$ 4,160
ZONING BOARD OF APPEALS			
Salaries	<u>6,000</u>	<u>3,600</u>	<u>2,400</u>
STREET LIGHTING	<u>3,200</u>	<u>3,805</u>	<u>(605)</u>
ROADS	<u>70,000</u>	<u>53,635</u>	<u>16,365</u>
PARKS AND RECREATION	<u>1,800</u>	<u>947</u>	<u>853</u>
Total expenditures	<u>\$ 1,010,781</u>	<u>\$ 683,743</u>	<u>\$ 327,038</u>

BUILDING  
DEPARTMENT  
FUND

TOWNSHIP OF GROVELAND  
BUILDING DEPARTMENT FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents

\$ 29,219

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other funds

\$ 644  
4,992

Total liabilities

\$ 5,636

FUND BALANCE

23,583

Total liabilities and fund balance

\$ 29,219

TOWNSHIP OF GROVELAND  
BUILDING DEPARTMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Administrative fee	\$	\$ 10,367	\$
Building permits		31,228	
Electrical permits		15,400	
Plumbing permits		12,074	
Heating permits		<u>14,278</u>	
Total revenues	<u>83,000</u>	<u>83,347</u>	<u>347</u>
EXPENDITURES			
Salary - administrator		25,636	
Inspector - building		15,815	
Inspector - electrical		6,210	
Inspector - plumbing		5,175	
Inspector - heating		6,545	
Payroll taxes		4,650	
Employee benefits		4,331	
Supplies		363	
Legal and accounting		1,350	
Telephone		1,652	
Repairs and maintenance		1,120	
Education and training		2,481	
Miscellaneous		250	
Insurance		<u>4,330</u>	
Total expenditures	<u>85,605</u>	<u>79,908</u>	<u>5,697</u>
Excess of revenues over (under) expenditures	(2,605)	3,439	6,044
FUND BALANCE, APRIL 1, 2004	<u>20,144</u>	<u>20,144</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 17,539</u>	<u>\$ 23,583</u>	<u>\$ 6,044</u>

FIRE  
PROTECTION  
FUND

GROVELAND TOWNSHIP  
FIRE PROTECTION FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents  
Taxes receivable

\$ 788,917  
89,259

Total current assets

\$ 878,176

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other fund

\$ 11,971  
2,054

Total liabilities

\$ 14,025

FUND BALANCE

864,151

Total liabilities and fund balance

\$ 878,176



GROVELAND TOWNSHIP  
FIRE PROTECTION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 777,141	\$
Ambulance billing		190,142	
Fire runs		25,057	
Rental income		8,450	
Camp reimbursements		20,937	
Interest income		5,635	
State grant		1,268	
Miscellaneous		<u>4,718</u>	
Total revenues	966,950	1,033,348	66,398
EXPENDITURES	<u>966,950</u>	<u>905,305</u>	<u>61,645</u>
Excess of revenues over (under) expenditures		128,043	128,043
FUND BALANCE, APRIL 1, 2004	<u>736,108</u>	<u>736,108</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 736,108</u>	<u>\$ 864,151</u>	<u>\$ 128,043</u>

GROVELAND TOWNSHIP  
FIRE PROTECTION FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Wages - chief	\$ 54,525	\$ 54,525	\$
Wages - assistant chief	48,973	48,973	
Wages - lieutenants	90,402	80,377	10,025
Wages - secretary	20,500	20,500	
Wages - firefighters	287,129	306,956	(19,827)
Payroll taxes	38,838	39,857	(1,019)
Ambulance services	21,200	20,383	817
Employee benefits	75,000	68,324	6,676
Office supplies	12,500	13,929	(1,429)
Operating supplies	60,000	62,126	(2,126)
Legal and accounting	4,000	3,491	509
Contractual services	10,000	11,132	(1,132)
Dues and subscriptions	2,000	1,526	474
Telephone	7,500	8,166	(666)
Fuel costs	12,000	9,542	2,458
Insurance and bonds	46,883	46,883	
Repairs and maintenance	51,500	49,319	2,181
Education and training	15,000	17,462	(2,462)
Utilities	24,000	27,350	(3,350)
Capital outlay	<u>85,000</u>	<u>14,484</u>	<u>70,516</u>
Total expenditures	<u>\$ 966,950</u>	<u>\$ 905,305</u>	<u>\$ 61,645</u>

FIRE IMPROVEMENT  
FUND

GROVELAND TOWNSHIP  
FIRE IMPROVEMENT FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents

\$ 8,764

FUND BALANCE

FUND BALANCE

\$ 8,764

GROVELAND TOWNSHIP  
FIRE IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES	\$
EXPENDITURES	
Capital outlay - vehicle	<u>35,351</u>
Excess of revenues over (under) expenditures	 (35,351)
FUND BALANCE, APRIL 1, 2004	<u>44,115</u>
FUND BALANCE, MARCH 31, 2005	<u><u>\$ 8,764</u></u>

GAS LINE  
DEBT  
SERVICE  
FUND

TOWNSHIP OF GROVELAND  
GAS LINE DEBT SERVICE FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents	\$ 337,951	
Taxes receivable	7,222	
Special assessment receivable - current	<u>46,963</u>	
Total current assets		\$ 392,136
DEFERRED SPECIAL ASSESSMENT RECEIVABLE		<u>544,346</u>
Total assets		<u>\$ 936,482</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Matured bonds payable	\$ 90,701	
Deferred revenues	591,309	
Due to other fund	<u>154</u>	
Total liabilities		\$ 682,164
RESERVED FUND BALANCE		<u>254,318</u>
Total liabilities and fund balance		<u>\$ 936,482</u>

TOWNSHIP OF GROVELAND  
GAS LINE DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - current	\$	\$ 157,042	\$
Interest income		10,686	
Connection fees		<u>57,600</u>	
Total revenues	<u>126,326</u>	<u>225,328</u>	<u>99,002</u>
EXPENDITURES			
Principal		501,645	
Interest		<u>37,576</u>	
Total expenditures	<u>157,000</u>	<u>539,221</u>	<u>(382,221)</u>
Excess of revenues over (under) expenditures	(30,674)	(313,893)	(283,219)
FUND BALANCE, APRIL 1, 2004	<u>568,211</u>	<u>568,211</u>	
FUND BALANCE, MARCH 31, 2005	<u>\$ 537,537</u>	<u>\$ 254,318</u>	<u>\$ (283,219)</u>



CURRENT  
TAX  
COLLECTION  
FUND

TOWNSHIP OF GROVELAND  
CURRENT TAX COLLECTION FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents  
Due from other units

\$ 6,316  
1,994

Total assets

\$ 8,310

LIABILITIES

LIABILITIES

Due to other funds  
Due to other units

\$ 7,571  
739

Total liabilities

\$ 8,310

TRUST  
AND  
AGENCY  
FUND

TOWNSHIP OF GROVELAND  
TRUST AND AGENCY FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash and cash equivalents

\$ 12,925

LIABILITIES

LIABILITIES

Due to other funds

\$ 202

Due to others

12,723

Total liabilities

\$ 12,925

TOWNSHIP OF GROVELAND

COMMENTS  
AND  
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2005



---

**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

June 17, 2005

Board of Trustees  
Township of Groveland  
4695 Grange Hall Road  
Holly, Michigan 48442

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Township of Groveland for the year ended March 31, 2005, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

We found instances in which the Township made purchases which included sales tax.

RECOMMENDATION

The Township should evaluate all invoices to determine if sales tax is being charged.

2. COMMENT

There were instances where the Trust and Agency Fund's activities were not being reconciled between the general ledger and supporting detail.

RECOMMENDATION

The activities of this fund should be reconciled monthly to the general ledger and accurate detail supporting these activities.

3. COMMENT

The Township has issued plaques and other items in recognition of public service.

RECOMMENDATION

Private use of public funds is prohibited by statute. The Township should carefully review all expenditures to determine they are not being used for illegal non-public purposes.

4. COMMENT

The Township approved a policy to pay health insurance premiums for retired employees who have worked a minimum of 20 years full-time and retired at a minimum age of 55. It was verbally agreed that rental income in the fire fund would be the source of income to pay the premiums.

RECOMMENDATION

The Township may wish to segregate the rental income into a separate fund and bank account to keep these monies earmarked. The State of Michigan allows several investment possibilities if these funds were transferred into a separate trust fund.

Also, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009. Upon implementation, an actuarial calculation will need to be completed once every three years to determine the Township's liability.

5. COMMENT

Payroll is being posted to several different cost centers and line items in the general ledger making it difficult to track and reconcile to payroll tax returns.

RECOMMENDATION

Payroll expenditures should only be posted in designated wage accounts and reconciled quarterly to payroll tax returns.

6. COMMENT

We found a few instances when the Township Board approved budget adjustments and manual adjusting journal entries were made to the general ledger to reclass actual expenditures to other cost centers instead of changing budget amounts.

RECOMMENDATION

When the board approves budget changes, actual expenses do not get reclassified but budget amounts are reclassified in accordance with the approved budget amendment.

7. COMMENT

A budget was not adopted for the Fire Improvement Fund.

RECOMMENDATION

This is a violation of Public Act 493 of 2000. A budget should be adopted for all special revenue funds prior to the start of the fiscal year.

This letter does not affect our report dated June 17, 2005 on the financial statements of the Township of Groveland.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of the Township of Groveland and is not intended to be and should not be used by anyone other than the specified parties.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants